

REPORT of the Committee of the Bondholders and Stockholders of the
Montreal and Champlain Railroad Company, appointed at a
meeting held in Montreal on the 3rd March, 1862, at which
it was resolved

"That a Committee of seven, representing all classes of Bondholders, Creditors and Shareholders of this Company be named for the purpose of devising some scheme for the protection of the interests of all concerned, and extricating the Company from its present financial difficulties. That they be empowered to hear any evidence or statements which may enable them to ascertain accurately the real position of the various classes of Creditors, and that they have full access to all papers, books and documents. That they consider and report whether the debts, as well Bonded as otherwise of the Company may not be exchanged for other securities or consolidated into stock, and on what terms and rates as to the several classes of liabilities; such scheme to maintain as far as possible all parties in the present order of their priority and rights, and giving a reasonable management and control of the Company's affairs to such new Stock or Bond-holders, and that the following gentlemen do form that Committee: The Hon. George Moffatt, E. H. King, Louis Beaudry, Wm. Workman, E. M. Hopkins, Wm. Murray, and Thos. Ryan, Esquires."

The first duty of the Committee was to investigate the present position of the Company, financially and otherwise.

The total *Indebtedness*, actual and contingent, is ascertained to be £360,600 (\$1,442,400). This sum includes some disputed items and arrears of wages.

The *Assets* of the Company consist solely of the Roads themselves, the rolling stock, and two ferry steamers. Some book debts and other small items taken credit for in the accounts, being of doubtful value, we think it better to omit in our estimate.

The *Income* of the Company appears to have been fairly stated in the annual Reports of the Board, and we think the profits shown in the accounts may be taken as the *bona fide* earnings of the concern. We find that the average net revenue during the five years, 1857 to 1861 inclusive, since the amalgamation of the Roads, has been £24,357, (\$97,428). This average includes one year of extraordinary depression. There is reason to expect the business of the present year will be more profitable than that of 1861. We think, therefore, that the future nett income of the Company may be estimated at £25,000, (\$100,000).

The Company, since the amalgamation of the two lines, though hampered by its floating debt and want of sufficient capital, has continued to meet its ordinary engagements, including interest on its bonded debt, out of its revenue; the Directors having, however, in many instances been obliged to interpose their individual security, to meet the liabilities as they matured. It was impossible to provide *capital* from that source; accordingly, when the £50,000 first mortgage Lachine Bonds matured, on the 10th February last, the Company found itself unable longer to face its engagements, and therefore, in our opinion, adopted the proper course of calling together its creditors and shareholders, in order to acquaint them with the actual condition of the concern. We find that the present crisis is due, not only to the pressure of the Lachine Bonds, but to the difficulty of meeting other liabilities already matured, or about to mature. It is impossible to delay these pressing claims. Unless they can be met, and satisfactory provision made for the other debts of the Company, there is no alternative but for the roads to be brought to sale, by which proceeding, we believe, the whole property would pass into the hands of the first mortgage bondholders, to the extinction of all other claims and of the share capital.

To avert this calamity, which the Committee find to be imminent, they have carefully considered various plans submitted to them. After long deliberation they have come to the conclusion that new capital must be provided to get rid of the pressing and secured liabilities, and that the other claims must be compromised on some equitable basis. The plan we have to submit, we believe, is that which deals the most even justice to all classes, and will ultimately inflict the least injury on any interest.

The success of the plan depending entirely on the co-operation of the shareholders and on their willingness to become subscribers to provide the necessary funds, the Committee entered into communication with some of those holding the largest share in the Company.

Though naturally reluctant to risk more money in a concern from which they have not for many years derived any income, but whose credit they have on the contrary been sustaining through the interposition of their personal liability, we were met in a spirit of great liberality, and found a most commendable disposition to cooperate in any plan which would prevent the disastrous consequences that a forced sale would bring on all concerned. We have reason to think and are glad to be able to convey

this belief to our constituents, that there is a fair prospect of raising, by the means we have indicated, the new capital necessary for the scheme, provided the other interests agree to the conditions of compromise and adjustment we are about to mention.

We propose to raise, by means of a Preferential Stock, a sum of £130,000, and to avail ourselves of £192,000 of the new 6 per cent. First Mortgage Bonds, issued under the Act of Parliament of 1860, for the purpose of paying off and exchanging all existing bonds and liabilities. The manner in which we think this should be done, we shall now state in reference to each class of creditors, seriatim:—

First,—The first Mortgage 8 per cent. Bonds on the Lachine section, (£50,000) now due, to be paid off at par.

Second,—The first Mortgage 10 per cent. Bonds on the Caughnawaga section, (£40,000) which also carry a judgment claim of £90,000 over the whole Lachine and Caughnawaga property, to be paid off at par.

Third,—The over due Mortgage on Moffatt's Island (£1400) bearing 8 per cent. Interest to be paid off at par.

Fourth,—The secured debt of the Bank of Montreal (£10,943) for which they hold the notes of parties, now, or formerly, members of the Board, to be paid off at par.

Fifth,—The Bills Payable (£12,685) given by the Directors for the Company's accommodation, and £3000 given by two of the Directors to secure a highly advantageous compromise with Mr. Campbell, late contractor, to be paid off for the purpose of redeeming the Rolling Stock and Boats now held in security for these liabilities.

Sixth,—The open debt of the Bank of Montreal, £15,800, for which they hold a judgment ranking after the 2nd Mortgage Bonds to be compromised at the rate of 12s. 6d. in the £ (£9,875.)

Seventh,—For the disputed accounts and arrears of wages, a sum of about £2,000, to be set apart; together with anything that may be realized out of the doubtful assets, referred to at the commencement of the report.

Eighth,—The holders (principally in England,) of £144,296 13s. 4d. first Mortgage Bonds, bearing 6 per cent. interest, and secured on the Champlain Section, due in 1873, to be offered in exchange an equal amount of the new 6 per cent. Bonds, having nineteen years to run, carrying a first Mortgage over the entire property of the Company, and of which the issue will be limited to £192,000.

Ninth,—The holders of the second Mortgage Bonds on the Champlain Section, (£48,050,) bearing 7 per cent. interest, to be offered in exchange the new first Mortgage Bonds at 6 per cent. at the rate of £80 for every £100 now held by them.

Tenth,—The holders of the non-mortgage Bonds, (£18,400,) bearing 7 per cent. interest, to be offered new first mortgage 6 per cent. Bonds, at the rate of £50 for every £100 held by them.

As regards the two last classes of Bondholders, especially the latter, it is to be observed, that their claims would be in the greatest jeopardy by a sale of the road, and that in consequence of the inferior character of those securities, their market value is not so high as the rate at which we propose to compromise them; some of the present holders acquired their Bonds at considerable discounts; the new Bonds which they will receive will be amply secured, being not only a first mortgage on the road, but having the additional guarantee of £150,000 of new capital.

For convenience we here recapitulate the foregoing scheme and reduce it to tabular form:—

CASH PAYMENTS.

1. Lachine first Mortgage Bonds,.....	£50,000	
2. Caughnawaga " "	40,000	
3. Moffatt's Island Mortgage	1,400	
4. Bank of Montreal, secured debt	10,943	
5. Director's Notes.....	15,685	
6. Bank of Montreal unsecured debt.....	9,875	
7. Open accounts and wages.....	2,097	
		£130,000

EXCHANGE OF BONDS.

8. For 1st Mortgage Champlain section.....	£144,296	
9. " 2nd " " "	38,440	
10. " Non Mortgage.....	9,200	
		£191,936
		£331,936

It is proposed that the £130,000 new capital, to be procured by means of preferential stock, shall be entitled to dividends at the rate of 10 per cent. per annum, as a first charge on the revenue after payment of interest on the reduced bonded debt.

This preference stock to be first offered at par rateably to the old shareholders, any shares not taken up to be offered to other shareholders disposed to assume them, also at par, and afterwards to the public, at such premium as may be procurable by tender.

The new stock to be placed on the same footing with the old as regards voting.

We estimate the revenue of the Company at £25,000. The interest on the reduced bonded debt, by this scheme, would be £11,516 : 10 per cent. dividend on the preferential Stock, would be £13,000 making together £24,516.

We have thus a margin on the income of £484. We believe, however, the margin will probably be greater, looking to the prospect of reviving trade with the United States, and the adoption of certain measures of retrenchment in the expenses of the Company.

To give additional value to the Preferential Stock, we propose that a Sinking Fund be created for its redemption consisting of the entire annual surplus revenue.

This Preferential Stock to be redeemable after the expiration of five years, out of the Sinking Fund, by four annual instalments of 25 per cent. each, or by a new Loan to rank after that now proposed to be created at the option of the old shareholders.

The immediate effect of redeeming the Preferential Stock, would be to reduce the amount of the 10 per cent. dividend, and thus leave a larger surplus of revenue available for distribution among the old shareholders.

As the Sinking Fund increased in amount and the period for the redemption of the Preferential Stock drew near, the old Stock would acquire value and the shareholders might in their own interests, adopt measures for the more speedy redemption of the 10 per cent. stock.

An Act of Parliament will be required to carry out these suggestions, if adopted, wherein sundry matters of detail not here noticed, would be provided for : such, for instance, as the election of a new Board after the preferential stock was subscribed, at which election that stock would be entitled to vote.

The Committee trust their views may meet the approval and support of all parties interested.

They have been carefully considered and we think the proposition is equitable and the only one which as a whole, would be likely to meet general favor. To avoid prolixity, we have omitted any notice of the evidence elicited, and the grounds on which our views have been formed. We have acted under a sense of equal responsibility to a variety of important interests, and trust our recommendations may be received in the same earnest, dispassionate manner in which they are tendered.

In conclusion, the Committee cannot too strongly impress on the Creditors and Stockholders the very critical condition of the Company's affairs. Unless prompt and efficient measures be adopted, the present complications will be increased by the institution of legal proceedings on overdue Bonds, which must result in the sale of the property, and the sacrifice we believe of every interest except that of the first mortgage Bondholders. The Committee would be wanting in their duty, if they omitted to state that they fear no further effort will be made by the Directors or Shareholders to avert the impending crisis, if the present scheme be rejected.

The whole respectfully submitted.

E. H. KING,

Chairman, Committee.

Montreal, March 14th, 1862.

Adopted